

# 2001 HIGHLIGHTS

## Overview

In contrast to 2000, when consumer optimism and robust spending helped offset several external shocks to the industry, the effects of an international, national and regional economic slowdown combined with the effects of the terrorist events of September 11<sup>th</sup> have negatively impacted the state's tourism economy. Helping to mitigate the negative effects of the economic slowdown and the terrorist activity has been the increased media interest and improved visibility the state has enjoyed as a result of the Olympics. The addition of Olympic facilities, resort expansions, hotels, and infrastructure improvements have increased the state's tourism capacity and improved its competitive positioning.

## Fewer Visitors, But More Jobs

Non-resident tourism arrivals to Utah decreased in 2001 for the second consecutive year. Visitation reports indicated fewer passengers at the Salt Lake International Airport as well as fewer visitors to national and state parks and state-operated welcome centers. The statewide hotel and motel occupancy rate fell below 60% for the year. However, significant expansion in the state's hotel industry has increased the number of available rooms. Hotel room rents increased slightly during the year, suggesting some growth despite lower occupancies. The state's ski industry expected a difficult season in 2001/02 as the combination of the Olympics, economic uncertainty and a reluctance to travel dampened demand for ski vacations to Utah. By season's end, total skier days declined -9% to just under 3 million. Vehicle traffic along Utah's major highways and Interstates registered positive growth during 2001, although slower than in recent years.<sup>1</sup> During 2001, an estimated 17.3 million non-resident visitors traveled to Utah, a -2.3% decline from 2000 and -5% below 1999's peak of 18.2 million visitors.

Consumers began retrenching during 2001 as increasing economic uncertainty threatened incomes, employment and confidence. The shift in spending behavior combined with fewer visitors caused traveler spending in Utah to decline. Travelers spent an estimated \$4.15 billion in Utah in 2001, a decline of -2.4% from 2000. Still, travel-related spending generated \$332 million in state and local tax revenues, providing tax relief of \$475 per Utah household. Despite reduced activity levels in the industry, final preparations for the Olympics and capacity increases generated positive job growth. During 2001, total travel-generated employment increased 2.4% to an estimated 128,500, or one out of every nine non-farm jobs.

## Impact of September 11<sup>th</sup>

The impacts of the terrorist attacks on the travel and tourism industry have been well publicized. Travel to Utah was already declining during the first eight months of the year. However, from September through the end of the year, tourism suffered a sharp reduction as consumers cancelled or postponed planned trips.

Despite the reduction in tourism, Utah experienced fewer overall negative effects as a result of the terrorist attacks than many other destinations in the U.S. due to several factors:

- 4<sup>th</sup> qtr. visitation is normally lower than other times of the year
- Focus on local and regional markets
- Reliance on auto travel compared to air travel
- Popular destination for visiting friends and family (less susceptible to declines than other segments)
- Boost from Olympic-related activity



Despite these positive mitigating factors, Utah's travel industry suffered through a prolonged period of reduced demand. Spurred by a stronger than expected ski season opening and the sustained activity relating to hosting the Olympic Winter Games, Utah tourism experienced less of a downturn during the winter months than many other destinations. Recovery is anticipated to accelerate during Summer 2002 with the leisure travel segment leading the way. Business and international travel will likely remain sluggish throughout the year.

<sup>1</sup> Visitation reports collected from Salt Lake City Department of Airports, National Park Service, Utah Division of Travel Development, Utah Division of State Parks and Recreation, Utah Department of Transportation, Ski Utah and the Rocky Mountain Lodging Report.

## Impact of the 2002 Olympic Winter Games

The 2002 Olympic Winter Games will focus national and international attention on Utah. Millions of favorable impressions and images generated from Olympic-related exposure should translate into future gains in traveler spending and greater tax relief for Utah residents. Estimates indicate the total economic impact from the Games between 1996 and 2003 will total \$4.5 billion, including 35,000 job years of employment, \$1.5 billion in earnings to Utah workers, and net revenue of \$76 million to state and local government.<sup>2</sup> Notwithstanding the significant benefits of the Games themselves, even greater benefits are possible in the years to come. Opportunities for increased business and tourism development as well as the lasting impacts of infrastructure improvements and Olympic facilities will impact the state for many years to come.

Documented research of past Olympic host cities has revealed several lessons that can be applied to the 2002 Games in Salt Lake City:

- Economic circumstances will significantly influence growth prospects before, during, and after the Olympic Games. While significant, Olympic-related effects represent only a small portion of total economic activity within a host community.
- Successful presentation of the Games does not guarantee future growth. There is a clear need for post-Olympic marketing. Marketing initiatives must be flexible and adaptive in response to how the media portrays the host community, the overall imagery that evolves during the Games, and the lasting impressions that remain with consumers.
- Olympic-related growth is most favorable during the first three years following the Games while awareness of the host community remains high. Growth is also most likely to occur within the Olympic core region. However, due to accelerated investment and development that usually occurs prior to hosting the Games, there can be some economic volatility as excess capacity is absorbed and more sustainable growth patterns emerge.
- Teamwork and collaborative efforts among multiple and disparate groups is essential to any Olympic maximization strategy. It is important to preserve the relationships and the networks that are built for Olympic planning to prepare for and respond to the post-Games environment.



## 2002 Outlook – Moving Forward with a Purpose

Years of strong economic growth and buoyant consumer confidence have translated into significant gains from tourism-related industries. Sensitive to changes in macroeconomic conditions, tourism growth has slowed as growth in the overall economy has also decelerated. Despite the slowdown, tourism in Utah is expected to grow considerably in the next five years as awareness gains from the 2002 Olympic Winter Games translate into increased visitation.

Capital investments in ski resorts, Olympic attractions, hotel construction, and infrastructure development bode well for the future. National trends highlight opportunities in key segments of the travel market including adventure travel, cultural and heritage tourism, nature-based travel, and family travel. Utah is well positioned to attract visitors seeking a higher quality, more unique experience. Continued investment in focused marketing and promotion efforts is essential to transforming the attention and image awareness generated by the Olympics into significant and sustainable economic gains.

## 2001 Tax Barometer

**Gross Taxable Sales.** Gross taxable sales from five tourism dependent industries (transportation, eating and drinking places, auto rentals, hotels and lodging and amusement is recreation) is measured as an indicator of the relative performance of Utah's tourism industry. During 2001, the collective sales of those five industries grew slightly at 1.9%. The 2001 tourism industry growth rate was considerably less than the 6% to 7% growth rates recorded in each of the last several years. In addition, for the first time in seven years, tourism failed to outpace the statewide growth rate (2.4%). Four of the five major tourism industry sectors recorded positive growth in 2001, led by auto rentals (3.6%), hotels and lodging places (2.4%), and eating and drinking establishments (2.1%).

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<sup>2</sup> 2002 Olympic Winter Games – Economic, Demographic and Fiscal Impacts, Governor's Office of Planning & Budget, November 2000

Amusement and recreation services increased slightly (1.3%) while and transportation services recorded a decline of -4.5%.

**Total County-Based Tourism Taxes.** Tourism-related tax revenues include monies collected from the county-option tourism taxes including the transient room tax, prepared foods tax (restaurant tax), and the short-term vehicle lease tax (car rental tax). In 2001, total tourism-related tax revenues in Utah totaled \$49.7 million, 2.6% above 2001 total revenues. The restaurant tax, which is levied by 25 counties, accounted for 44% of total revenues at \$21.9 million. The transient room tax, which is collected by all 29 counties, accounted for \$18.6 million, or 37% of the total. The car rental tax, collected in only nine counties, accounted for 19% of the total with \$9.2 million in revenues.

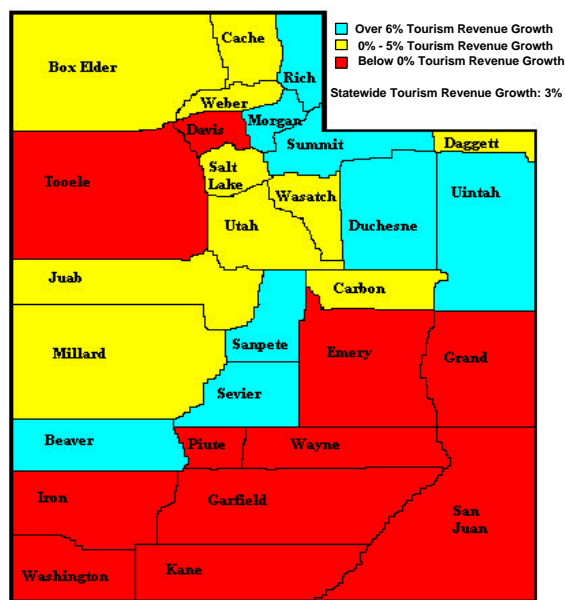
There are major differences in the revenues collected by the various counties. Nearly 75% of the tourism-related tax revenues are based in the four Wasatch Front counties (Salt Lake, Davis, Weber, and Utah). Salt Lake County, with \$28.5 million in revenues, accounted for 57% of the statewide total. Summit County collected \$4.2 million in revenues (8%), followed by Utah County with \$3.9 million (8%), and Davis, Weber, and Washington Counties with just over \$2 million each.

County-Based Tourism Tax Revenues				
More than \$5 million	\$1 to \$5 million	\$300,000 to \$1 million	\$100,000 to \$300,000	Less than \$100,000
Salt Lake	Summit Utah Davis Weber Washington Grand	Cache Iron Garfield Wasatch Box Elder Uintah Kane Tooele Sevier Carbon	San Juan Rich Sanpete Juab Wayne Beaver	Duchesne Millard Daggett Morgan Emery Piute

During 2001, the majority of counties in Utah (18) increased their total tourism-related tax revenues. Small counties such as Rich (45%), Sanpete (18%), Morgan (17%), and Beaver (17%) led the way. With the exception of Davis and Tooele Counties, which both experienced small declines, every county in northern Utah reported revenue gains compared to 2000. By contrast, nearly every county in southern Utah experienced declining revenues from tourism related taxes. The center of the state, including

Wayne, Piute, Emery, and Garfield Counties, suffered the greatest declines in tourism tax revenue, each falling by more than -10%.

**TOTAL TOURISM-RELATED TAX REVENUES**  
% Change 2000 to 2001



SOURCE: Utah State Tax Commission

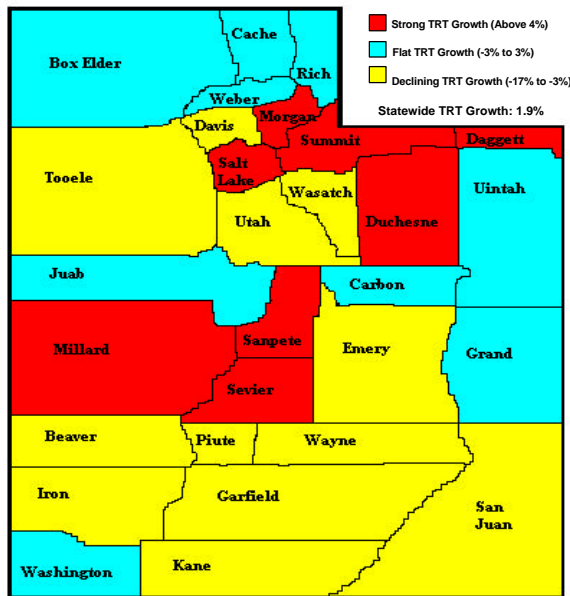
**Transient Room Tax.** During the past several years, hotel construction has significantly increased the number of available rooms throughout the state. In Salt Lake County alone, hotel inventories have increased 59% between 1996 and 2001, culminating in the completion of the 359-room Salt Lake City Marriott City Center in December 2000 and the 775-room Grand America in March 2001. Statewide, the number of available rooms is estimated to be 46,900.<sup>3</sup> Demand for rooms has not kept pace with inventory growth, placing downward pressure on both occupancies and room rates. Occupancies in the Salt Lake area have declined from 80% in the mid-90s to an estimated 62% in 2001. Total Utah occupancy rates declined by -1% point in 2001, from 60.9% to 59.9%.<sup>4</sup>

Reflecting the positive growth in Utah's lodging industry, gross taxable room rents increased by 2% in 2001, totaling \$578 million, despite falling occupancy rates and a lower average room rate. Transient room tax collections also increased statewide, totaling \$18.6 million in revenues.

<sup>3</sup> Utah Hotel & Lodging Association

<sup>4</sup> Rocky Mountain Lodging Report, Ehrhardt Keefe Steiner & Hottman, PC, December 2001

## TRANSIENT ROOM TAX GROWTH % Change 2000 to 2001



SOURCE: Utah State Tax Commission

increase in restaurant tax revenues. Overall, twenty-one of the twenty-five counties that impose the tax posted gains over 2000. Seven counties posted double-digit gains, led by Rich (93%), Uintah (14%), Wasatch (13%) and Summit (12%) Counties. Three counties recorded declines, including Daggett (-1%), Wayne (-14%), and Garfield (-14%).

**Car Rental Tax.** Eight counties impose a county-based car rental tax in addition to the statewide car rental tax. The statewide tax is levied at 2.5% and the county-based tax fluctuates between 3% and 7% depending on the county. During 2001, revenues from the car rental tax declined in most of the counties that impose the tax. Revenues increased significantly in Weber County (55%) and modestly in Salt Lake County (2.5%). Statewide, total revenues remained nearly identical to 2000 levels at \$12.9 million. The state-imposed car rental tax accounts for 28% of the total (\$3.6 million) and fell slightly (-1%) in 2001. Salt Lake County accounted for over 70% of total car rental tax collections during 2001. Year-over-year comparisons are difficult for this tax because of frequent changes to the reports due to prior period adjustments.

## Visitation Statistics

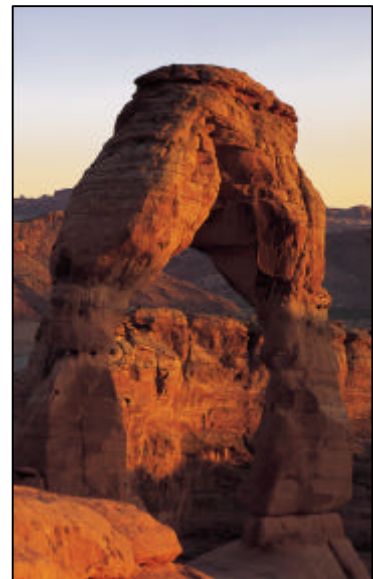
**National Parks.** Visiting Utah's national parks continues to be the state's top tourist attraction. For the last decade, Utah's national parks have attracted around five million visitors. The popularity of Utah's national parks increased rapidly during the mid-80s and early 90s, growing by nearly 10% per year to 5.3 million visitors by 1992. Since 1992, the number of visitors to Utah's national parks has hovered close to five million, although visitation peaked in 1996 at 5.7 million. Since 1996, national park visitation has declined in four of the past five years.

In 2001, 4.9 million visitors arrived to national parks in Utah, a -7% decrease from 2000. Among the parks, visitation declined at every park. The state's best performance was Bryce Canyon, where visitation fell only -3%, followed by Arches, where -4% fewer visitors were reported. Zion, Utah's most popular national park with over 2 million visitors annually, reported an -8% decline over the prior year. Canyonlands also recorded an -8% drop. Capitol Reef reported the largest visitation decline, dropping -14% compared to 2000 visitation.

Visitation levels to Utah's national parks reflected an overall visitation pattern to national parks throughout the west. Among the most popular parks in the

Among counties, Salt Lake led the way with over \$8.5 million in TRT collections, recording a 3.6% increase over the previous year. Nearly 80% of statewide TRT collections originate from five counties: Salt Lake, Summit, Washington, Utah and Grand Counties. Only thirteen counties reported increased TRT revenues between 2000 and 2001, led by Morgan (104%), Sanpete (37%), Duchesne (9%), and Summit (9%). Sixteen counties recorded declines, including double-digit drops in Garfield (-11%), Emery (-13%), Piute (-13%), and Wayne (-17%).

**Restaurant Tax.** Twenty-five counties in Utah impose a 1% restaurant tax with revenues dedicated to tourism promotion and infrastructure development. Beaver County began collecting the tax in 2001. Only Emery, Millard, Piute and San Juan Counties do not collect the tax. Restaurant tax collections increased a modest 2.1% in 2001, reflecting the effects of a sluggish economy and reduced travel demand. Historically, restaurant tax revenues have risen at nearly 6% per year. Half of the total restaurant tax revenues were collected in Salt Lake County. Utah, Davis and Weber Counties also saw collections of greater than \$1 million. The large majority of Utah counties experienced an

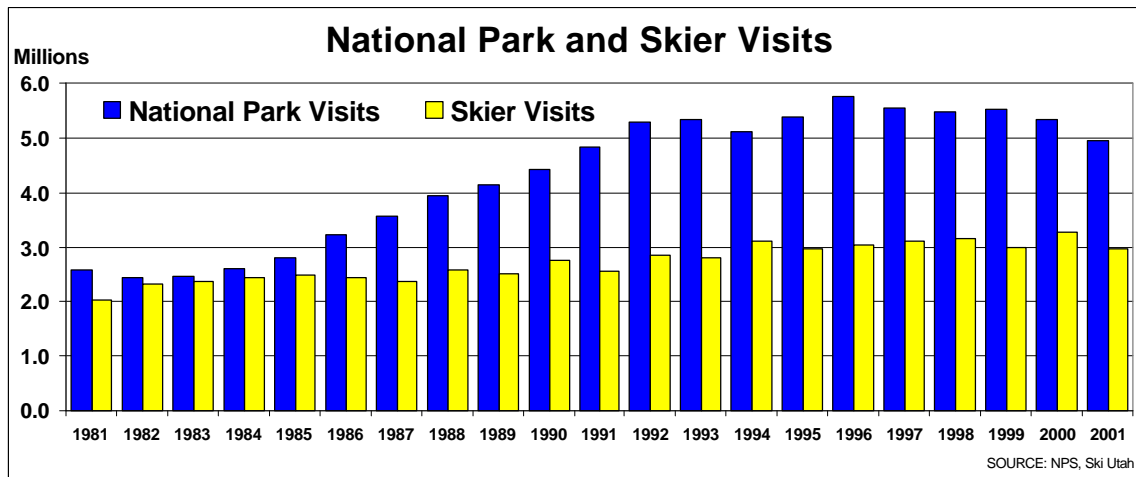




region, visitation declined at Death Valley (-14%), Glacier (-3%), Grand Canyon (-8%), Grand Teton (-2%), Olympic (-19%), Mount Rainier (-3%), Rocky Mountain (-1%), Yellowstone (-4%) and Yosemite (-1%).

**Skiing.** Utah's ski industry recorded a record year during the 2000/01 season. Total skier days for the 2000/01 season totaled 3.3 million, up 12.5% from last season and a 6.5% over the previous best season in 1997/98. Utah's ski industry braced itself for a difficult 2001/02 season. The terrorist attacks, the economy, and the Olympics were all expected to negatively affect skier visits to the state. Following the season, Utah's ski resorts reported a better-than-expected decline of only -9%, totaling 3.0 million skier days.

Recent survey data indicates that Utah is attracting a higher number of affluent visitors who spend more during their stay in Utah.<sup>5</sup> With hundreds of millions of dollars dedicated to improvements in lodging, infrastructure, skiable terrain, and amenities during the past few years and increased exposure due to the Olympic Games, Utah resorts are continuing to improve their competitive position.



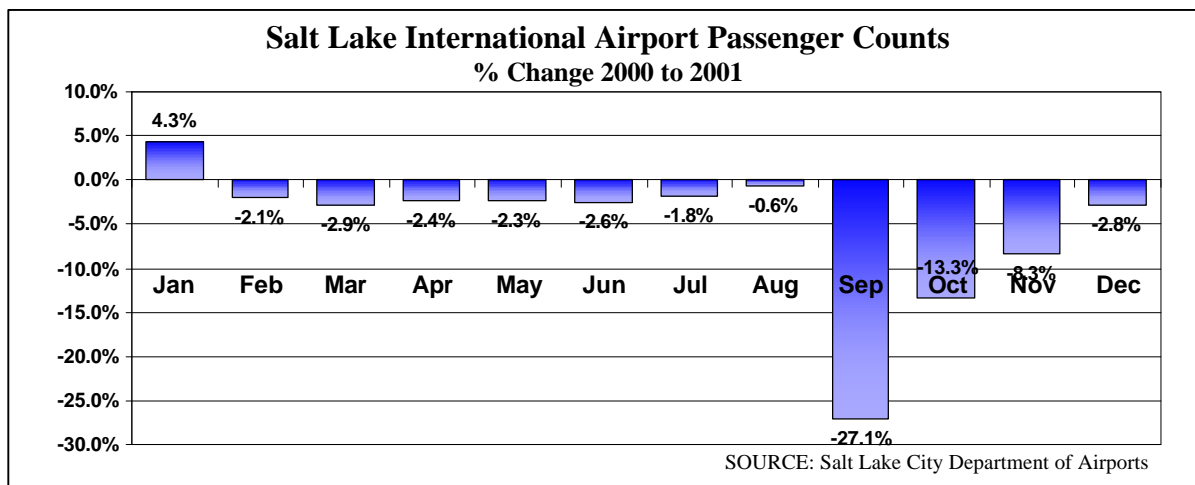
**National Monuments & Recreation Areas.** Utah's national monuments and recreation areas remain popular destinations for travelers. Visitation decreased slightly in 2001 to approximately 5.5 million, down -3% from the year before. All but two of Utah's national monuments are recreation areas reported declines during 2001, ranging from a -2% drop at Golden Spike NHS to an -18% decline at Dinosaur NM. However, additional refining of the visitor count process at the Grand Staircase-Escalante NM prompted a 19% increase and a 25% increase in visitation to Cedar Breaks NM helped offset declines elsewhere.

**Utah State Parks.** Overall, 6.1 million visitors traveled to Utah's 44 state parks, a -7% decline over 2000. Visitation reports were widely varied according to specific park destinations. Among the ten most popular state parks (which account for two thirds of total state park visitation), visitation increased strongly at Bear Lake (8%) and Deer Creek (15%). Among the state's other most popular parks, visitation declined slightly at Wasatch Mountain (-1%) and Quail Creek (-7%). Double-digit declines were reported for Snow Canyon (-13%), Willard Bay (-11%), Antelope Island (-15%), Utah Lake (-32%), Jordanelle (-27%), and Dead Horse Point (-10%). Overall, visitation increased in 17 parks and declined in 27 parks.

**Salt Lake International Airport.** Although total passengers to the Salt Lake International Airport have decreased in each of the last five years, the decrease is largely attributable to declines in the number of connecting flights made through Salt Lake International Airport. Total passenger traffic at the airport declined by -5% in 2001, totaling 18.9 million passengers. However, destination visitors (representing approximately 56% of 2001's total passengers – as measured by local enplanes and deplanes) decreased by a smaller -3% to 10.7 million passengers. The terrorist attacks of September 11<sup>th</sup> affected air transportation more than any other industry. Through August, passenger counts were roughly on par with 2000 levels, having declined by just -1%. However, from September through

<sup>5</sup> 1999-2000 Utah Skier Survey, Wikstrom Economic & Planning Consultants, July 2000

December, passenger counts declined -13%, including a -27% drop in September. From September through the end of the year, passenger counts gradually improved.<sup>6</sup>



**Utah Stateline Interstate Vehicle Traffic.** Traffic counts along Utah's Interstate borders increased by 5% over 2000, totaling 21.8 million. Traffic at all of the Interstate borders increased compared to 2000. Traffic increased most along I-80 at the Utah-Nevada border, which posted a 10% increase in traffic compared to 2000. The Utah-Wyoming I-80 border also reported a 5% increase in traffic. Traffic along I-15 increased at both ends of the state, with the Arizona border reporting a 4% increase and the Idaho border a 3% increase. After reporting declining traffic in 2000, I-70 at the Utah-Colorado border reported a strong 8% increase during 2001. I-84 at the Utah-Idaho border reported the smallest increase at 1%.

**Utah Welcome Centers.** Utah's six welcome centers, located along major transportation corridors throughout the state, reported declining visitation for the fifth time in six years. Total Welcome Center visitation totaled 660,000 in 2001, a -10% decline over 2000. Visitation figures were flat at the Brigham City and St. George Welcome Centers. Council Hall and the Thompson Springs Welcome Center each reported moderate declines in visitation during the year (-4% and -9% respectively). The Echo and Jensen Welcome Centers both reported significant declines (-20% and -37% respectively).

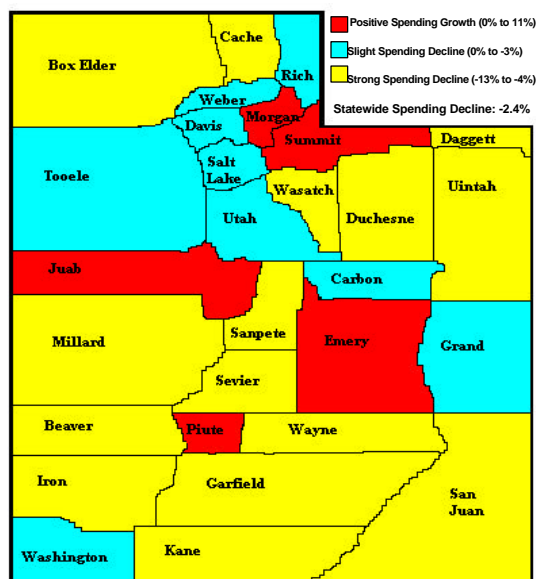
## Economic Impact

**Traveler Spending.** In 2001, travelers to Utah spent \$4.15 billion, down -2.4% over 2000's \$4.25 billion. Traveler spending accounted for over 7% of Utah's gross state product. Traveler spending in 2001 decreased for the first time in the past decade. Despite the decline, 2001's \$4.15 billion in traveler spending was the third highest in Utah history.

Continuing the pattern of the last five years, traveler spending accrued primarily to northern Utah. Although only five counties experienced an increase in traveler spending, the northern counties reported less of a decline than many of the southern counties. Traveler spending increased in Piute, Morgan, Juab, Emery, and Summit Counties. The rest of Utah's counties reported a decline in traveler spending over 2000. Twelve counties outperformed the statewide decline of -2.4%, led by Piute (11%), Morgan (3%), Juab (2%) and

## TRAVELER SPENDING IN UTAH

**% Change 2000 to 2001**



SOURCE: Utah Dept. of Workforce Services, adapted by Utah Division of Travel Development

<sup>6</sup> *Air Traffic Statistics and Activity Report*, Salt Lake City Department of Airports, Dec. 2001

Emery (2%). Three counties suffered double-digit declines in traveler spending: Daggett (-10%), Sanpete (-12%), and San Juan (-13%).

**Employment.** During 2001, travel and tourism-related employment continued to grow, totaling 128,500 jobs scattered throughout the state. This represented a 2.4% increase over 2000's employment levels and marked the sixth consecutive year of slowing job growth in the industry. However, tourism-related job growth continues to outperform statewide job growth (2.4% compared to 0.9%).

Twenty of Utah's 29 counties experienced tourism-related job growth from 2000 to 2001, including 12 counties that outperformed the state's annual tourism job growth of 2.4%. Piute (14%), Morgan (9%), Juab (7%) and Emery (7%) all posted strong gains in tourism-related employment. The 2001 tourism job growth rate fell below the state's five-year average annual tourism job growth rate of 3.7%. Over the past several years, most of the state's tourism-related job growth has occurred around the Wasatch Front and in adjoining counties such as Cache, Tooele, Summit, Morgan, and Wasatch. However, pockets of strong job growth have also occurred in Washington, Rich, Piute, and Uintah Counties.

Travel and tourism-related employment accounted for 12% of total nonfarm employment in Utah in 2001, making it the fourth largest employment sector in the state, behind services, trade, and government. In addition, tourism's 3,000 new jobs accounted for nearly 30% of Utah's total nonfarm job growth during the year.

Although two-thirds of travel and tourism-related jobs are located along the four-county Wasatch Front area, many counties in rural areas of the state are more dependent on tourism. Fewer employment opportunities within rural counties means that tourism jobs are crucial to providing needed employment, tax receipts, personal income, and business profits. Counties in the northeast and southeast areas of the state are particularly dependent on tourism. Tourism accounts for more than a fifth (20%) of total nonfarm employment in ten counties, led by Garfield (48%), Daggett (47%), Grand (45%) and Summit (41%).

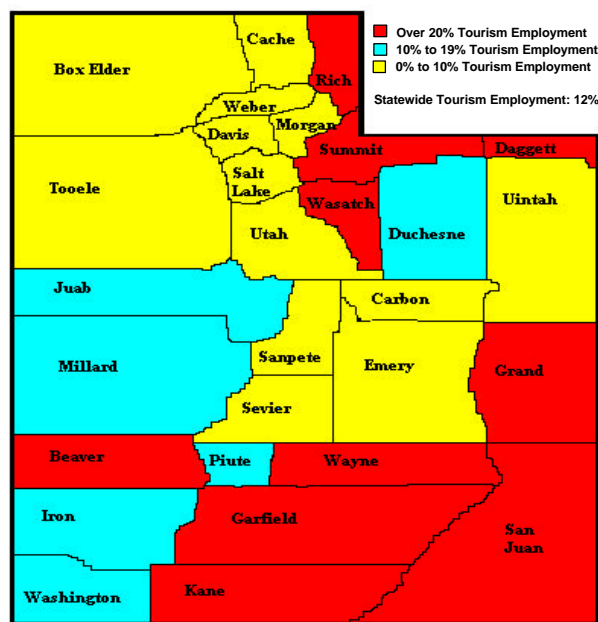
## EMPLOYMENT BY SECTOR IN UTAH

EMPLOYMENT SECTOR	2001(p)	% OF TOTAL
<b>TOTAL NONFARM JOBS</b>	<b>1,085,000</b>	<b>100.0%</b>
Services	317,000	29.2%
Trade	252,000	23.2%
Government	190,400	17.5%
<b>Travel &amp; Tourism*</b>	<b>128,500</b>	<b>11.8%</b>
Manufacturing	127,000	11.7%
Construction	69,500	6.4%
Trans., Comm. & Utilities	61,000	5.6%
Finance, Insur., & Real Estate	60,200	5.5%
Mining	7,900	0.7%

SOURCE: Utah Department of Workforce Services

\*Travel & Tourism represents employment from several sectors and is not included in the overall total.

## TOURISM JOBS AS A PERCENTAGE OF TOTAL NONFARM JOBS, 2001



SOURCE: Utah Dept. of Workforce Services, adapted by Utah Division of Travel Development

**Land Ownership.** As with many western states, land in Utah is primarily public land owned by either the state or federal government. Many of those lands have been designated according to various degrees of use and development. The federal government owns approximately 64% of all land in Utah, roughly 34.6 million acres. Most federal land is administered by one of the several land management agencies, including the Bureau of Land

Management, the U.S. Forest Service and the National Park Service. The state of Utah owns 5.5 million acres (10% of land in Utah), most of it designated as State Trust Lands. American Indian reservations comprise nearly 2.4 million acres (4.4% of the total land area). Finally, private lands account for 22% of the total or nearly 11.7 million acres.

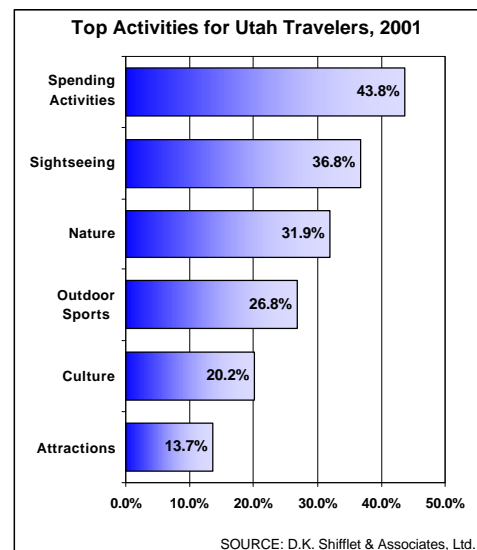
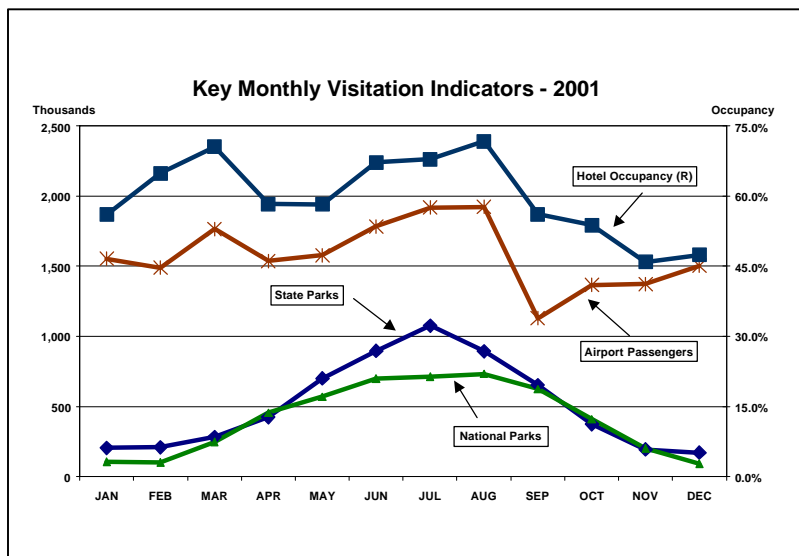
**Seasonality.** Sightseeing, nature-based activities, and outdoor sports are the top visitor attractions for Utah.<sup>7</sup> Given the popularity of these types of activities, most visitors travel to Utah during the summer months between May and September. However, at many of the state's top destinations, the peak visitor season is extending beyond just the summer into the shoulder seasons in the spring and fall. The winter visitor is very focused on skiing and holiday-based travel. Visitation patterns during 2001 closely mirrored the trend for the past several years. However, the terrorist attacks in September significantly affected airline travel and hotel occupancies during the fourth quarter of the year.

Land Ownership - 1999	No. of Acres	% Total
<b>Total Acres in State</b>	<b>54,132,902</b>	<b>100.0%</b>
<b>Federal Government</b>	<b>34,599,495</b>	<b>63.9%</b>
BLM	22,671,492	41.9%
US Forest Service	7,210,617	13.3%
National Recreation Areas	1,125,497	2.1%
National Parks	900,788	1.7%
National Wildlife Refuge	62,032	0.1%
USFS & BLM Wilderness Area	764,951	1.4%
Other*	1,864,120	3.4%
<b>State Government</b>	<b>5,466,066</b>	<b>10.1%</b>
Utah State Parks & Recreation	73,371	0.1%
Utah State Wildlife Reserves	388,003	0.7%
State Sovereign Lands	1,500,000	2.8%
State Trust Lands	3,504,691	6.5%
<b>American Indian</b>	<b>2,388,724</b>	<b>4.4%</b>
<b>Private**</b>	<b>11,678,616</b>	<b>21.6%</b>

\*Includes Military and Bankhead Jones land

\*\*May include some local government land

SOURCE: GIS Database, 1999



<sup>7</sup> 2001 Domestic Visitor Profile, D.K. Shifflet & Associates, Ltd., September 2002